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June 3, 2011

*VIA E-MAIL*

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave. NW  
Washington DC, 20551

**RE: Docket No. R-1409 - Regulation CC**

Dear Ms. Johnson,

UMACHA appreciates the opportunity to comment on the proposed amendments to Regulation CC with the goal of facilitating the transition to fully-electronic check clearing. UMACHA serves over 820 financial institutions in the Ninth Federal Reserve District in the electronic payment space. Our support is primarily in ACH, RDC, check conversion and image exchange. That support focuses in education, information sharing, compliance services and problem solving.

As a member of NACHA and a sponsoring member of ECCHO UMACHA has been very involved in the discussions concerning the changes suggested in Regulation CC. UMACHA is supportive of the comment letters filed by both NACHA and ECCHO with a few notable exceptions. Those are noted below.

**229.36(d)2 - Same Day Settlement**

As stated in the ECCHO comment letter there seems to be a great deal of confusion about how this process would work. And it's unclear who might be advantaged or disadvantaged by the option of the paying bank to require electronic presentment. We have some concerns that community banks and credit unions would be forced into using private correspondent networks to get their same day settlement items which might make them less competitive in the image marketplace. UMACHA suggests the Federal Reserve reconsider this change.

**229.33(e) - Electronic Image and Information Transferred as an Electronic Collection Item (ECI)**

UMACHA agrees that ECI items need a legal framework and that framework should be included in the changes suggested to the Regulation. Since these are always Remotely Created Checks UMACHA would like to see these move into a truly electronic space like the ACH network, similar to what NACHA suggested. That would afford the consumer greater protections than what they now have. But since there is not much of an incentive to do that UMACHA agrees

that the item should carry enough information that, if necessary, a paper item (substitute check) could be printed if necessary.

**229.13(e) - Reasonable Cause to Doubt Collectability**

UMACHA wants to take this opportunity to support NACHA's position on in this space. If a financial institution has reasonable cause to suspect something is wrong with a deposit, for instance they think the deposit might be money from a corporate account takeover that's coming into a money mule account, the financial institution should be able to delay availability until they can research the deposit to ensure it was not fraudulently originated.

**229.30(e) - Notice in Lieu of Return**

UMACHA supports the concept of continuing the use of the notice in lieu. As long as there are checks there will be checks that will be damaged to the point that they cannot be imaged or otherwise managed. At the same time we think the ACH network is a viable option for those items. The XCK process is a good example of how lost or damaged cash letters can be cleared electronically. It would seem that a similar process could be used for most cases when a notice in lieu must be used. We recognize that this is moving an item outside of the traditional check processing system but as payment systems converge this will look more and more reasonable and cost effective to financial institutions. UMACHA recommends that the Federal Reserve at least leave the door open for the use of the ACH network for these items.

UMACHA appreciates the opportunity to comment on the proposed amendments to the Regulation. If you have any questions about our comments please feel free to call me at 800-348-3692.

Sincerely,

Fred Laing, II

Fred Laing II, AAP, CCM  
President  
UMACHA